March 23, 2020

Dear Clients and Supporters of Crew Capital,

We are now more than a month into a worldwide stock market selloff; caused mainly by the corona virus pandemic, but also by a global oil price war.

So, we wanted to reach out to you and give our latest thoughts on where we believe we are in this very unusual investment cycle.

One of the core principals of how we manage client investments at Crew Capital is our multi-asset approach.

This usually includes meaningful allocations to bonds, cash reserves, and precious metals. These assets provide a level of volatility protection during times such as what we are experiencing.

One reason for the dramatic drop in stock prices is margin loan covering by hedge funds. The leverage in some hedge funds is run at 7+ times their underlying capital. Much of this margin covering may now be complete. A good thing.

Yes. Our country will likely experience a recession due to the mandatory shutdown of 30% or more of our economy. But we have seen recessions before, and our world did not end.

Importantly, we believe this economic shutdown is only postponing demand until later in the year, not eliminating it.

We strongly believe the steps taken by our Federal Reserve to provide liquidity will help minimize the negative impact of shutting down a portion of our economy.

Liquidity is key. As long as liquidity is maintained, you and the portfolio should be positioned well for the long-term.

We can tell you that, based on the history of market selloffs, staying the course is a wise decision. Your long-term strategy has likely not changed. Right?

Though the cause of market drawdowns has varied, the eventual outcomes are higher prices.

How soon this will be is unknown. So, we will continue to manage your investments based on what is known.

And we know and believe this……

The return on the U.S. stock market (S&P 500) since 1926 has been around 10% per year. Over shorter time periods, stock market returns vary widely, but there tends to be a reversion to the mean over time.

There is almost no correlation between what happens in the stock market in one year and what happens in the next year.

There is a high correlation, however, between what has happened over the past 20 years and what we can expect to happen over the next 15.

Basically, periods of longer-term underperformance tend to be followed by periods of longer-term outperformance.

Due to the poor stock markets in the 2000s and this current market decline, the trailing 20-year return on stocks is now below 5% per year; a level we haven't seen since the early 1950s, which was followed by the best decade we have ever seen.

While it may take some time to play out, this suggests an environment where stock market returns over the next 15 years would be better than average.

This is not a prediction. It is simply a recognition that the stock market looks undervalued now.

Another way to say this is that the risk of owning stocks over the next 15 years may now be dramatically less than it was at the end of the 1990s.

The last few weeks have been difficult. But with confidence, I tell you that, in the long run, you will be in better shape by staying the course and staying true to your investment goals.

Sincerely,

Rob, Scott and Matt

For more information about the Five Star Wealth Manager Award, including description and award methodology, please follow the link here: https://www.fivestarprofessional.com/wmdisclosures/CINWM19